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Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Budget for the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2009 to 30 June 2010

Report of the Independent Audit Advisory Committee

Summary

The present report reflects the comments of the Independent Audit Advisory Committee on the proposed budget for the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2009 to 30 June 2010.



I. Introduction

1. The Independent Audit Advisory Committee has undertaken a review of the proposed budget for the Office of Internal Oversight Services (OIOS) under the support account for peacekeeping operations for the financial period from 1 July 2009 to 30 June 2010. The review was conducted in response to paragraph 2 (d) of the terms of reference of the Committee annexed to General Assembly resolution 61/275, according to which one of the responsibilities of the Committee is to review the budget proposal of OIOS, taking into account its workplan, and to make recommendations to the Assembly, through the Advisory Committee on Administrative and Budgetary Questions.

2. The Committee devoted a significant amount of time at its fourth session, held from 1 to 3 December 2008, to discussing the OIOS workplans and budget. In the interaction with OIOS the Committee obtained an understanding of the risk-based work planning process undertaken in each of the OIOS divisions and the process of formulating the final workplans for each year. The Committee was also briefed by OIOS on its 2009/10 proposed budget under the support account for peacekeeping operations.

3. The Committee appreciates the efforts of the Office of Programme Planning, Budget and Accounts in expediting the preparation of the relevant OIOS budget documents for review by the Committee.

II. Background

4. The proposed budget of OIOS under the support account for peacekeeping operations covers the Investigations Division, the Internal Audit Division, the Inspection and Evaluation Division and the Executive Office of OIOS. This budget is for the period from 1 July 2009 to 30 June 2010 and is estimated at \$24,358,300 (gross) which represents a decrease of \$2,520,900 (gross), or 9 per cent, over the prior year's approved budget of \$26,879,200 (gross). This lower budget primarily relates to the economies and efficiencies that will be achieved if the Investigations Division is restructured as proposed by OIOS and endorsed by the Independent Audit Advisory Committee.

5. The financial resources for OIOS for 2009/10 as compared with 2008/09 are as follows:

	<i>Approved 2008/09</i>	<i>Proposed 2009/10</i>	<i>Variance</i>	<i>Variance (percentage)</i>
	<i>(thousands of United States dollars)</i>			
Investigations Division	10 283.0	9 287.7	(995.3)	(10)
Internal Audit Division	13 311.2	13 381.5	70.3	1
Inspection and Evaluation Division	502.2	985.1	482.9	96
Executive Office	713.0	704.0	(9.0)	(1)
Programme support costs	—	—	—	0
Procurement task Force	2 069.8	—	(2 069.8)	(100)
Total	26 879.2	24 358.3	(2 520.9)	(9)

Note: Budget figures provided by Office of Programme Planning, Budget and Accounts, Peacekeeping Finance Division.

6. OIOS has presented information to the Committee on its strategic management focus and workplan, which is the basis of its proposed resource requirements for the budget period. The key strategic management focus and a summary of the workplan for each of the three Divisions, as presented by OIOS, are provided below.

A. Investigations Division

Key management focus

7. OIOS has resubmitted its proposal for restructuring the Investigations Division taking into consideration the recommendations and comments of the General Assembly, the Advisory Committee on Administrative and Budgetary Questions and the Independent Audit Advisory Committee. OIOS presented the need for specialization within the Division to deal effectively with each of the two main types of investigation cases, namely allegations of sexual exploitation and abuse, and allegations relating to financial, economic and administrative misconduct as the key driver for the restructure.

8. OIOS believes that the creation of a new structure in a hub and spoke configuration, with the hubs being Nairobi, Vienna and New York, will facilitate more efficient and economic use of specialist investigation resources. OIOS cites that a significant advantage of having investigators co-located in the hubs is that there will be a larger pool of staff available, which offers more options for ensuring that the right skills can be rapidly deployed to peacekeeping missions to meet any critical need that may arise. The structure according to OIOS also represents an opportunity to build a more effective environment for training, supporting and backstopping the investigators in their work.

9. According to OIOS the problems inherent in the current structure, based on experience to date, adversely impacts the timeliness and quality of investigations. These include:

(a) Difficulty in attracting and retaining qualified investigators to serve as resident investigators in missions;

(b) Having small investigation teams in several missions presents real obstacles to effective management and administration;

(c) Difficulty in maintaining relevant expertise in missions, including the lack of experience to address financial misconduct;

(d) Official leave provisions in missions that result in extended absences of investigators.

10. OIOS outlined more specific arguments to justify the new structure for the Investigations Division:

(a) The new memorandum of understanding with troop-contributing countries, which shifts primary responsibility for investigations involving troops to the relevant troop-contributing country. This will significantly diminish the OIOS role to one that is initiated on an as-required basis;

(b) Overall reduction in sexual exploitation and abuse cases in the missions during 2007 (77 per cent down from 2006) and 2008 (a further 52 per cent down

from 2007) means fewer investigators are required in the missions for those types of cases;

(c) Increased caseload related to financial, economic and administrative related allegations as a result of the incorporation of the Procurement Task Force cases (175) into the Investigations Division. The hubs will facilitate creation of specialists within each hub to deal with those types of cases.

Workplan summary

11. The Investigations Division projected its outputs for 2009/10 as follows:

(a) 470 reviews and analysis of misconduct allegations (category I) for decisions as to jurisdiction and investigative action;

(b) 95 investigation reports;

(c) 90 referrals issued to relevant programme managers for comment and action prior to OIOS investigation or closure of case;

(d) 18 advisories issued to the Department of Field Support and mission management related to the proposed investigation of category I cases or on category II investigations carried out.

B. Internal Audit Division

Key management focus

12. The Internal Audit Division's priorities for 2009/10 will be:

(a) To complete the risk assessments of 15 peacekeeping missions using the OIOS risk assessment framework;

(b) To improve adherence to the audit workplan as recommended by the Board of Auditors.

13. To accomplish this, the Internal Audit Division will give particular attention to recruitment efforts for resident auditors and the oversight by Headquarters of resident audit offices through regular monitoring visits, training and implementation of a quality improvement programme.

Workplan summary

14. The workplan of the Internal Audit Division will include the following outputs and activities:

(a) An annual report to the General Assembly on audit results and the implementation of critical audit recommendations on peacekeeping operations;

(b) An audit report specifically requested by the General Assembly;

(c) 10 audit reports by United Nations Headquarters auditors;

(d) 100 audit reports by resident auditors located in peacekeeping missions;

(e) 2 horizontal audits on issues relating to peacekeeping missions in general;

- (f) 15 risk assessments by resident auditors of peacekeeping missions;
- (g) A professional development training programme for resident auditors and audit assistants and an annual conference of chief resident auditors.

C. Inspection and Evaluation Division

Key management focus

15. The strategic priorities and focus for 2009/10 of the Inspection and Evaluation Division include an emphasis on:

- (a) Making operational the strategic risk-based approach for work planning for peacekeeping evaluations;
- (b) Strengthening its capacity to conduct in-depth evaluations of individual peacekeeping missions and Headquarters-based entities as well as thematic evaluations that cut across all missions with a focus on assessing relevance, efficiency, effectiveness and impact;
- (c) Strengthening core evaluation competencies, including the development of methodological tools and procedures, for review of linkages between United Nations peacekeeping operations and the broader political, institutional and socio-economic changes that are meant to follow;
- (d) Coordination and collaboration with the OIOS Internal Audit Division and other oversight bodies on risk assessments and planning of assignments;
- (e) Collaboration with the Department of Peacekeeping Operations and the Department of Field Support to ensure clarity of respective evaluation responsibilities and avoid duplication of effort.

16. OIOS also plans to significantly increase the scope and coverage of peacekeeping operations in order to respond to the provisions of General Assembly resolutions 58/269 and 60/257 on strengthening the monitoring and evaluation system and on improving the format and timing of programme performance and evaluation reports.

17. OIOS clarified that the responsibilities of the Evaluation Unit of the Department of Peacekeeping Operations are distinct from the Inspection and Evaluation Division in that the Evaluation Unit will undertake and support self-evaluation, focusing on mission-specific operational issues, with the aim of identifying weaknesses that will require remedial action within the missions. The Inspection and Evaluation Division describes its activities as independent and objective assessments of peacekeeping operations, ensuring accountability for the results attained by the missions, assessing the actual impact and achievement of the mandates of the Department of Peacekeeping Operations, and conducting department-wide systemic/thematic evaluations addressing cross-cutting functional, organizational or policy issues that affect all or individual peacekeeping missions.

Workplan summary

18. The workplan of the Inspection and Evaluation Division for 2009/10 will include:

- (a) Two in-depth evaluations addressing the attainment of broader peacekeeping objectives and results achieved in individual peacekeeping missions;
- (b) One thematic evaluation addressing cross-cutting functional, organizational or policy issues that affect all (or several) individual peacekeeping missions.

III. Comments of the Independent Audit Advisory Committee

A. General

19. The Independent Audit Advisory Committee committed a significant proportion of its fourth session to discussions with OIOS on its work planning process.

20. In preparing its comments the Committee took guidance from the request of the General Assembly as articulated in the Committee's terms of reference (General Assembly resolution 61/275, annex, para. 2):

“(c) To examine the workplan of the Office of Internal Oversight Services, taking into account the workplans of the other oversight bodies, with the Under-Secretary-General for Internal Oversight Services and to advise the Assembly thereon;

“(d) To review the budget proposal of the Office of Internal Oversight Services, taking into account its workplan, and to make recommendations to the Assembly through the Advisory Committee on Administrative and Budgetary Questions; the formal report of the Independent Audit Advisory Committee should be made available to the Assembly and to the Advisory Committee on Administrative and Budgetary Questions prior to their consideration of the budget.”

21. In the discussions with OIOS some issues of a general nature emerged that did not relate directly to the OIOS budget but are considered significant in the Committee's view. The Committee decided to include in the present report its comments and recommendations in regard to those non-budget issues.

22. In the Committee's review of the documents and reports and in discussions with United Nations senior management it became apparent that there was a need for clear definition of key terms relating to oversight such as fraud, corruption, waste, loss, damages, abuse and misconduct, to list a few. The Committee believes that clear definition will ensure that these terms are used correctly and are commonly understood by report users. **The Independent Audit Advisory Committee recommends that OIOS take the lead in defining these terms for eventual publication, in consultation with relevant entities, including the Department of Management and the Office of Legal Affairs.**

23. The Committee was principally satisfied with the risk-based work planning process employed by OIOS and the use of that approach as a basis for the

prioritization for the work of the Office. The approach is generally in line with best practice and with the relevant International Standards for the Professional Practice of Internal Auditing. The Committee's specific comments are shown below under the relevant OIOS division.

24. Overall, the Committee noted that the OIOS budget for a biennium amounted to approximately \$100 million, or approximately \$50 million per annum. Of that amount roughly 50 per cent is funded out of the support account for peacekeeping operations. While OIOS was clear about the risks that its workplans would cover, the Committee did not see any clear articulation in the budget documentation of the value or the results that OIOS was expecting to deliver as a "return" on the Organization's "investment" in internal oversight. The budget process for OIOS therefore needs enhancement to be a better example of a results-based budget that should have an outcome orientation than the current budget, which is output based.

25. Given the above, the Independent Audit Advisory Committee recommends that OIOS define the value of the service that it delivers to the Organization. This will require careful development of various outcome and pipeline metrics to assess the effect of oversight including its "return on investment". The Committee challenged OIOS to lead by example and make visible the outcomes and savings that result from its work. Showing the value of its services in a results-based approach will serve as an example to the other departments of the United Nations with respect to accountability for resources. In making this recommendation, the Committee recognized that it was difficult to develop suitable metrics and that OIOS should begin the process with the objective of improving the metrics over time.

26. On the issue of oversight recommendations, the Committee suggests that OIOS categorize the recommendations according to risk and value. The Committee did not agree with the OIOS policy that recommendations will be "closed" or not monitored after two years. The Committee believes that given the nature of United Nations operations and the duration of budget and planning cycles in the Organization, oversight recommendations should be actively monitored by OIOS for a period of at least four years. There should also be ongoing dialogue between OIOS and the clients towards the development of realistic implementation timelines. **The Independent Audit Advisory Committee therefore recommends that OIOS change its policy so that recommendations are actively monitored for at least four years.** OIOS provided clarification of its policy regarding the monitoring of recommendations during the finalization of the present report. Notwithstanding that clarification, the Committee believes that the above recommendation should still be implemented in addition to the OIOS explanation of procedures for follow-up and monitoring undertaken by the Management Committee and OIOS. This would provide for independent reporting on the status of recommendations by OIOS over a four-year period rather than two years.

B. Investigations Division

27. One of the main non-budget issues that the Committee has identified to be addressed with the Investigations Division is the implementation of the new manual for the Division, which includes comprehensive standard operating procedures for investigations. **In particular, the Independent Audit Advisory Committee is**

committed to following up at its next session on the Investigations Division's provisions in the new manual that will ensure due process for staff in investigations.

28. The Committee also discussed the impression created by the OIOS reports on the extent of fraud and corruption in the Organization. **To avoid any misunderstanding, the Independent Audit Advisory Committee recommends that OIOS reports make a clear differentiation and definition between the actual value of the financial loss to the Organization, if any; other findings that may not have direct financial implication; and the total number and value of contracts investigated. Once there is an agreed-upon definition and calculation of damages to the Organization, those values should be reported according to established criteria.** The Committee's concern is that reporting the aggregate value of the contracts in which fraud and/or corruption is identified, without a proper definition of the key terms, may confuse readers and create an incorrect perception of the value of the financial loss. **In addition to defining the key terms (as recommended in para. 22), the Independent Audit Advisory Committee recommends that OIOS also define how the value of loss and damages is calculated to prevent the information from being taken out of context.**

29. While the Committee appreciates that the work of the Investigations Division is reactive in nature, it still believes that the Division should be in a position to prepare a workplan to show how the existing caseload will be undertaken with the resources available. **The Independent Audit Advisory Committee recommends that the existing investigations caseload be categorized in a meaningful way and that the investigation cases and staff resources be scheduled in a workplan that will ensure proper monitoring and management.**

30. The staff requirement for the Investigations Division in the budget for OIOS under the support account for peacekeeping operations for 2009/10 are represented in the restructuring of the Division in a manner that is consistent with the Committee's recommendation in its reports (A/62/814 and Add.1). The bottom line with respect to the budget for the Investigations Division is a reduction of 21 general temporary assistance positions and posts, from 75 to 54. In cost terms, this represents a \$955,000¹ reduction in comparison to the 2008/09 budget, and this is after taking into consideration the relevant costs associated with the conversion of general temporary assistance positions to posts and additional travel costs to service missions from the hubs. The restructure as proposed by OIOS will relocate 16 posts (converted from general temporary assistance positions) currently located in the missions to the regional hubs. The relocated posts, added to the 27 posts (also converted from general temporary assistance positions) that are already in the hubs, will result in a post structure for New York, Vienna and Nairobi of 15, 20 and 8 posts, respectively. OIOS proposes to maintain an investigations capacity of a total of 11 mainly general temporary assistance positions in the United Nations Organization Mission in the Democratic Republic of the Congo (3), the United Nations Mission in Liberia (UNMIL) (4) and the United Nations Mission in the Sudan (4), as an interim measure.

¹ The value of the decrease in the number of posts is offset by an increase in rent costs for staff transferred to the regional hubs and travel costs for investigators travelling from the hubs to peacekeeping missions.

31. In its report (A/62/814/Add.1) the Committee stated that the Investigations Division restructure had strong conceptual merit but that further justification such as cost/benefit analysis was still required. **In the opinion of the Independent Audit Advisory Committee, OIOS has presented adequate cost/benefit information indicating that the Investigations Division will reduce the budget by \$955,000 in comparison to the previous year, while also absorbing the Procurement Task Force caseload of some 175 cases. On this basis the Committee recommends that the General Assembly approve the restructure of the OIOS Investigations Division as presented by OIOS.**

C. Internal Audit Division

32. The Internal Audit Division, the largest of the three divisions in OIOS, presented its risk-based workplan to the Independent Audit Advisory Committee by giving a high-level overview of its process for conducting entity level risk assessments and developing a consolidated risk register that ranks the Organization's risks.

33. The Committee acknowledged the considerable effort that OIOS has put into the risk assessments and the preparation of their workplan. OIOS identified 1,401 high- and medium-risk assignments which it plans to undertake over a four-year period, with the high-risk assignments being given priority. **The Independent Audit Advisory Committee expressed concern, however, that a very high proportion (50 per cent) of the risk register appears to be categorized by OIOS as high risk (702 assignments). The Committee recommends that the categorization of high risk should be further calibrated so that there is differentiation within this category. The Committee recommended that OIOS seek input from management in this differentiation and definition exercise.**

34. In the discussion on the Internal Audit Division's budget proposal the Committee noted that the Division's budget used its current level of resources as a baseline budget. It appears that the workplan is then used to determine if there should be changes to the baseline. **The Independent Audit Advisory Committee believes that if risk coverage is to be used to determine the level of resources required then the Internal Audit Division's approach to its budget should begin with a focus on identifying the audit activities that can add value to the Organization by ensuring that risks are mitigated or minimized. The associated resources that will be required to undertake these activities should then be calculated and presented to the General Assembly for approval.**

35. The Internal Audit Division appears to determine the level of resources required (the baseline budget) by using a formula that allocates one Professional staff member for every \$100 million of a mission's budget and one General Service staff member for every \$200 million, rather than determining the level of resources required to cover the risks identified. The Committee views this approach as being inconsistent with a risk-based approach to the allocation of resources which would use risks identified to determine the level of resources required. Using a risk-based approach may result in a different composition of staff in a mission depending on the risks identified in that mission, namely, missions with a greater number of high risks will require more resources than missions with fewer high risks. **The Independent Audit Advisory Committee recommends that OIOS follow through**

with the implementation of its risk-based approach and use the risk-based workplan as the basis for the allocation of resources.

36. In the 2009/10 budget submission, the authorized numbers of posts for the Internal Audit Division funded from the support account for peacekeeping operations totalled 91. The previous year's total of 92 posts is reduced by 3 posts as a result of the liquidation of the United Nations Mission in Ethiopia and Eritrea; and increased by 2 posts, being the proposal to create a Chief Resident Auditor in the United Nations Mission in the Central African Republic and Chad at the P-5 level and the addition of one Field Service level post to UNMIL, resulting in a net reduction of 1 post in this budget compared to 2008/09.

D. Inspection and Evaluation Division

37. The Committee was initially concerned that the Inspection and Evaluation Division's workplans might duplicate the work of the Evaluation Unit established within the Department of Peacekeeping Operations.

38. The activities of the Evaluation Unit will focus on establishing procedures to assess the readiness and effectiveness of a mission's component parts, including the formed units, with particular regard to implementation of the mission's operating plan and achievement of the mandate. The results of its evaluation are meant for consideration largely by the senior management of the Department of Peacekeeping Operations and to inform internal decision-making. The peacekeeping evaluations planned by OIOS, on the other hand, will focus on independent assessments of peacekeeping operations, ensuring accountability for the results attained by the missions, assessing the actual impact and achievement of the Department's mandates, and conducting department-wide systemic/thematic evaluations addressing cross-cutting functional, organizational or policy issues that affect all or individual peacekeeping missions. Given the materiality of the peacekeeping budget, the Committee saw merit in the planned activity proposed by the Inspection and Evaluation Division.

39. The Committee accepted that the activities of the Inspection and Evaluation Division do not duplicate the responsibilities of the Department's Evaluation Unit. In addition, the Committee believes that the in-depth nature of evaluations conducted by OIOS would add value to the Organization's peacekeeping programme and that the materiality of the total peacekeeping budget could easily justify the resources requested for increased evaluations. **The Independent Audit Advisory Committee recommends that the General Assembly approve the OIOS Inspection and Evaluation Division's request for four additional posts to supplement the single existing post.**

IV. Conclusion

40. The members of the Independent Audit Advisory Committee respectfully present the present report containing its comments and recommendations for consideration by the General Assembly.

(Signed) David M. **Walker**
Chairman, Independent Audit Advisory Committee

(Signed) Vijayendra N. **Kaul**
Vice-Chairman, Independent Audit Advisory Committee

(Signed) Vadim V. **Dubinkin**
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